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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

Arizona Corporation Commission

DOCKETED

JUN - 6 2005

FROM: Ernest G. Johnson
for Director
Utilities Division

DOCKETED BY	<i>KD</i>
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Date: June 6, 2005

RE: STAFF REPORT FOR JOHNSON UTILITIES COMPANY, L.L.C. -
APPLICATION FOR EXTENSION OF ITS CERTIFICATES OF
CONVENIENCE AND NECESSITY TO PROVIDE WATER AND
WASTEWATER SERVICES (DOCKET NO. WS-02987A-05-0088)

Attached is the Staff Report for Johnson Utilities Company, L.L.C. application for extension of its existing Certificate of Convenience and Necessity for water and wastewater services. Staff is recommending that the Commission issue an Order Preliminary.

EGJ:BNC:red

Originator: Blessing Chukwu

Attachment: Original and 13 Copies

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Service List for: Johnson Utilities Company, L.L.C.
Docket No. WS-02987A-05-0088

Mr. Brian Tompsett
Johnson Utilities Company, L.L.C.
5230 East Shea Boulevard, Suite 200
Scottsdale, Arizona 85254

Mr. Richard Sallquist, Esq.
Sallquist & Drummond, P.C.
4500 S. Lake shore Dr., , Suite 339
Tempe, Arizona 85282

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

JOHNSON UTILITIES COMPANY, L.L.C.

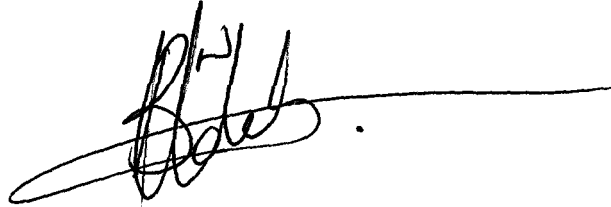
DOCKET NO. WS-02987A-05-0088

APPLICATION FOR EXTENSION
OF EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO PROVIDE
WATER AND WASTEWATER SERVICES

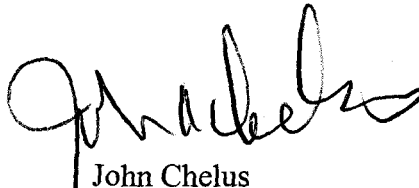
JUNE 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Johnson Utilities Company, L.L.C. (Docket No. WS-02987A-05-0088) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. John Chelus was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to read 'Blessing Chukwu', with a long horizontal line extending to the right.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to read 'John Chelus', with a long horizontal line extending to the right.

John Chelus
Utilities Engineer

EXECUTIVE SUMMARY
JOHNSON UTILITIES COMPANY, L.L.C.
APPLICATION FOR EXTENSION OF
CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. WS-02987A-05-0088

On February 11, 2005, Johnson Utilities Company, L.L.C. ("Johnson Utilities" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide wastewater and water services to a development known as Quail Run, in Pinal County, Arizona. On April 7, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of Arizona Administrative Code.

Johnson Utilities is an Arizona Limited Liability Company, in good standing, and engaged in providing wastewater and water utility services in portions of Pinal County, Arizona. The original CC&N for the Company was granted by the Commission in Decision No. 60223 (May 27, 1997), and subsequently extended by Decision Nos. 61069 (August 7, 1998), 62087 (November 19, 1999), 63960 (September 4, 2001), and 64062 (October 4, 2001). According to the Company's Annual Report for the year ending December 31, 2004, the Company has wastewater and water utility plant in service of approximately \$19 million and \$22 million, respectively.

By this application, the Company is seeking Commission authority to extend its service territory to include approximately 0.16 square miles or 100 acres. The proposed extension area is contiguous to Johnson Utilities' current wastewater CC&N on its northern and western borders and is designed to contain approximately 351 residential lots.

Based on the information provided in this docket and from Staff's review of other available materials regarding the Company, Staff concludes: (1) that the existing Johnson Utilities water system does not have adequate production and storage capacity to serve the existing and proposed CC&N area; and (2) that the proposed wastewater system has or can reasonably be expected to develop the necessary sewage treatment capacity to serve the proposed CC&N extension area for Quail Run.

Johnson Utilities is in compliance with the Arizona Department of Environmental Quality ("ADEQ"), the Commission, and the Arizona Department of Water Resources ("ADWR").

If the Commission chooses to grant Johnson Utilities' application for an extension of its CC&N to provide wastewater and water services to Quail Run, Staff recommends the following:

1. That the Commission issue, pursuant to A.R.S. §40-282(D), an "Order Preliminary" to the issuance of the ultimate CC&N extension to Johnson Utilities.

2. Staff further recommends that Johnson Utilities shall not construct any water distribution mains or wastewater collection mains within the CC&N extension area defined by this docket, nor shall Johnson Utilities provide any water or wastewater services within the CC&N extension area defined by this docket until and after the issuance of a subsequent "Final Order" of the Commission in this Docket.
3. That Johnson Utilities be required to demonstrate to the satisfaction of the Director of Utilities that the Company can meet the water production needs in PWS No. 11-128 for its current customer base at the time of the demonstration. Johnson Utilities shall also demonstrate to the satisfaction of the Director of Utilities that it can continue to develop water production resources to meet the system needs within a reasonable foreseeable future. Both of the above can be demonstrated by submitting a list of pending or future wells, their anticipated production capacity in gallons per minute, and a time schedule for ADEQ approval of construction and operation.
4. That Johnson Utilities be required to update or amend its Designation of Assured Water Supply to include the service area in this CC&N extension application. Johnson Utilities shall file with Docket Control under this same docket number the amended Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute.
5. That Johnson Utilities be required to docket its well data with Docket Control showing arsenic concentrations for all existing and pending wells.
6. That Johnson Utilities be required to docket an arsenic plan with Docket Control if the water quality from any of its wells has an arsenic level of 10 parts per billion or more.
7. That Johnson Utilities file with Docket Control, for Staff review and/or approval, a copy of the fully executed main extension agreements for wastewater and water facilities for Quail Run.
8. That Johnson Utilities file with Docket Control the Unified (Aquifer Protection) Water Quality Permits issued by the ADEQ for the Copper Basin Regional Wastewater Treatment Facility.
9. That Johnson Utilities be required to file with Docket Control copies of the ADEQ "Approvals to Construct" for the requested extension area for Quail Run.
10. That Johnson Utilities be required to comply with items 3, 4, 5, 6, 7, 8, and 9 above within 2 years of the effective date of the Order Preliminary. If Johnson Utilities complies with these items within the 2 year time-frame, it shall be required to file a motion within 2 years of the effective of the Order Preliminary to have the Commission issue its final CC&N decision. If Johnson Utilities fails to meet the 2 year time-frame, it shall be required to submit a new CC&N application if it still desires to serve Quail Run.

11. That Johnson Utilities be required to submit a full rate case filing for both the water and wastewater divisions using a 2005 test year no later than April 30, 2006. As an alternative, it is recommended that the Commission order Staff to perform an audit of the Johnson Utilities Hook-up Fee Account within three months of a Decision in this matter and come back to the Commission with appropriate recommendations.
12. That Johnson Utilities Company be required to file a quarterly report with the Compliance Section on the status of the pending litigation in CV2005-002692.
13. That Johnson Utilities be required to file Affiliate Interest reports as required under Arizona Administrative Code R14-2-801 et al.

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Introduction

On February 11, 2005, Johnson Utilities Company, L.L.C. ("Johnson Utilities" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide wastewater and water services to a development known as Quail Run, in Pinal County, Arizona.

On March 10, 2005, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C) and R14-2-602(B). A copy of the Insufficiency Letter was sent to the Company via U.S. mail. In the Letter, Staff listed the deficiencies that need to be cured for administrative purposes.

On March 28, 2005, the Utilities provided additional documentation to support its relief requested.

On April 7, 2005, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C.

Background

Johnson Utilities is an Arizona Limited Liability Company, in good standing, and engaged in providing wastewater and water utility services in portions of Pinal County, Arizona. The Company currently serves approximately 8,500 wastewater and water utility customers, which includes both residential and commercial customers. The original CC&N for the Company was granted by the Commission in Decision No. 60223 (May 27, 1997), and subsequently extended by Decision Nos. 61069 (August 7, 1998), 62087 (November 19, 1999), 63960 (September 4, 2001), and 64062 (October 4, 2001).

According to the Company's Annual Report for the year ending December 31, 2004, the Company has wastewater and water utility plant in service of approximately \$19 million and \$22 million, respectively. The Company reported an annual revenue of approximately \$2.7 million for wastewater and \$4.9 million for water for year 2004. Johnson Utilities reported long term debt of \$772,000 for water. No long term debt was reported for wastewater.

The Extension Request

Johnson Utilities is currently certificated by the Commission to provide wastewater and water services to various portions of Pinal County, Arizona. By this application, the Company is seeking Commission authority to extend its service territory to include a development known as Quail Run. Quail Run will add approximately 0.16 square miles or 100 acres to Johnson Utilities' existing CC&N for wastewater and water services. Quail Run is designed to contain approximately 351 residential lots. The Company anticipates full build out within five years.

Quail Run is located at the southeast corner of Bella Vista Road and Quail Run Road, in a portion of Section 24, Township 3 South, Range 8 East and is contiguous to Johnson Utilities' current wastewater CC&N on its northern and western borders. The Section that Quail Run is located, is bordered on the east by Sonoran Villages. Sonoran Villages, a planned area development, was one of the subjects of the CC&N extension request by Johnson Utilities in Docket No. WS-02987A-04-0288.

The Wastewater System

Pursuant to Section 208 of the Federal Water Pollution Control Act, Central Arizona Association of Governments ("CAAG") is the designated water quality planning agency for the requested CC&N extension area. The CAAG has the authority to develop and approve general wastewater plans which include land development policies, service areas, objectives, principles, and standards for local growth and development.

Quail Run will have an eight inch gravity sewer throughout the development which will be pumped by lift station and force main to the existing Sonoran Villages development lift station located at the northwest corner of Felix and Judd Road. This area is included within the Copper Basin regional wastewater service area and is consistent with the CAAG §208 Water Quality Plan Amendment No. 4 for Johnson Utilities.

The Copper Basin regional facility is a master planned wastewater treatment project which is matched to projected development and population densities. Treatment processes, phasing, and capacities are delineated in the CAAG §208 Plan No 4. The CAAG §208 Plan essentially provides for the construction of a 0.5 Million Gallons per Day ("MGD") treatment plant which will be expandable to 2.5 MGD. Effluent will be reused with any excess being disposed of through an Arizona surface water discharge permit, although it is anticipated that the irrigation needs of green belts and golf courses will be sufficient for the generated effluent. The wastewater treatment plant will be constructed approximately 2 miles east of the Quail Run development on Judd Road.

Staff concludes that the proposed wastewater system has or can reasonably be expected to develop the necessary sewage treatment capacity to serve the proposed CC&N extension area for Quail Run and is consistent with the approved CAAG §208 Water Quality Plan for Johnson Utilities.

The Water System

Quail Run will be served by the Johnson Utilities public water system number 11-128. The design report assumed that the Johnson Utilities water system has adequate storage and pumping capacity to meet the needs of this development. Johnson Utilities has in existence seven (7) wells with a total production capacity of 2,870 gal/min, 1,650,000 gallons of storage capacity, booster pumps, pressure tanks, and a distribution system serving approximately 8,500 connections. Based on historical growth rates, it is anticipated that the existing service area

could have a total of 22,000 customers at the end of five years. The Company has predicted an additional 351 customers for the proposed CC&N extension, at the end of five years. The existing production and storage can adequately serve approximately 8,235 connections under peak conditions. This means that Johnson Utilities does not currently have enough capacity to adequately serve its 8,500 existing customers under all conditions.

Staff requested well data, storage data, and water usage data from Johnson Utilities for its existing system in a Data Request dated January 13, 2005. The first response from Johnson Utilities on January 21, 2005, listed seven (7) wells that Johnson Utilities indicated were supplying the Johnson Ranch system (Table 1). These correspond to the wells which the Arizona Department of Water Quality ("ADEQ") considers as approved for use. Based on this data, Staff determined that Johnson Utilities had insufficient well capacity to serve the Johnson Ranch system.

Original List of Active Johnson Utility Wells Connected to PWS ID No. 11-128

Table 1

Well Number	Well name	ADEQ Approval to Construct	ADEQ Approval of Construction	Pumping G.P.M.
55-599386	Circle Cross	Nov. 22, 2002	Oct. 22, 2004	890
55-558445	J.R. No. 4	Apr. 21, 1998	May 18, 1999	500
55-559843	J.R. No. 5	Apr. 21, 1998	Jan. 24, 2002	500
55-621462	Skyline	Dec. 4, 2002	Aug. 20, 2003	650
55-582085	Oasis No. 1	Aug. 07, 2002	Dec. 13, 2002	110
55-582087	Oasis No. 2	Aug. 07, 2002	Dec 13, 2002	110
55-582088	Oasis No. 3	Aug. 07, 2002	Dec. 13, 2002	110
Total				2,870 gpm

When Johnson Utilities was made aware of Staff's concerns, Johnson Utilities submitted a letter to Staff dated January 28, 2005. It included a "revised" Water Use Data Sheet for Johnson Utilities Company, System Number 11-128. The letter stated that "The revised "Water Use Data Sheet" now includes all the wells that are connected to the system." The revised well list added JR Well No. 3, JR Well No. 7, and Edwards Well No. 2 as active (Table 2). The Company indicated that the additional wells were not reported originally because they were on standby due to decreased winter demand.

**Revised List of Active, Pending and Abandoned Johnson Utility Wells
Connected to PWS ID No. 11-128 – Table 2**

Well Number	Well Name	ADEQ Approval to Construct	ADEQ Approval of Construction	GPM	Status
55-599386	Circle Cross	Nov. 22, 2002	Oct. 22, 2004	890	Active
55-558445	J.R. No. 4	Apr. 21, 1998	May 18, 1999	500	Active
55-559843	J.R. No. 5	Apr. 21, 1998	Jan. 24, 2002	500	Active
55-621462	Skyline	Dec. 4, 2002	Aug. 20, 2003	650	Active
55-582085	Oasis No. 1	Aug. 07, 2002	Dec. 13, 2002	110	Active
55-582087	Oasis No. 2	Aug. 07, 2002	Dec 13, 2002	110	Active
55-582088	Oasis No. 3	Aug. 07, 2002	Dec. 13, 2002	110	Active
55-625916	Circle Cross	n/a			Abandon
55-625918	Circle Cross	n/a			Abandon
55-586189	Edwards Rd. #2	Sep. 20, 2001	Jul 23, 2002	35	Active
55-627105	J.R. No. 3			500	Active
55-562385	J.R. No. 7			900	Active
55-615284	J.R. No. 2			360	Not Conn.
55-201429	Morning Star			800	Pending
55-626147	San Tan No. 1			500	Pending
55-598836	San Tan No. 2			800	Pending
Total			Active	3,805	gpm

During an inspection of the Johnson Ranch system on February 2, 2005, Staff was shown all of the wells listed as active by Johnson Utilities in the revised January 28, 2005 Water Use Data Sheet. Staff was told during the inspection that the Edwards Well No. 2 was in fact disconnected.

As part of the evaluation of this application, Staff held a meeting with ADEQ about a pending ADEQ inspection report. It was determined from these conversations that the wells inspected on January 14, 2005, by ADEQ corresponded exactly with the original seven wells in Table I. In addition, ADEQ personnel could not locate an "Approval of Construction" (which is essentially an authorization to operate the well) for Johnson Ranch Wells No. 3 and No. 7, and could not locate an "Approval to Construct" for Johnson Ranch Well No. 7. It was then concluded that none of the additional wells listed by Johnson Utilities as active in its revised responses were approved by ADEQ for use on system PWS 11-128.

On February 23, 2005, Johnson filed a response to Staff's Second Data Request. This included a table of current wells in service along with the arsenic concentrations (Table 3). This table included the Johnson Ranch Well No. 7, Johnson Ranch Well No. 3 and Edwards Road Well No. 2, all of which were listed as entering Point of Entry ("POE") Number one.

Johnson Utilities Well Inventory for System 11-128 as of February 2005

Table 3

Well Number	Well Name	Arsenic Levels Mg/l	POE	Status
55-625916	Circle Cross			Abandon
55-625918	Circle Cross			Abandon
55-599386	Circle Cross	0.002	4	Active
55-621462	Skyline	0.003	3	Active
55-586189	Edwards Rd. #2	0.002	1	Active
55-627105	J.R. No. 3	n/a	1	Active
55-558445	J.R. No. 4	0.003	1	Active
55-559843	J.R. No. 5	0.005	1	Active
55-562385	J.R. No. 7	n/a	1	Active
55-615284	J.R. No. 2	n/a	n/a	Not Conn.
55-201429	Morning Star Farms			Pending
55-582085	Oasis No. 1	n/a	2	Active
55-582087	Oasis No. 2	0.003	2	Active
55-582088	Oasis No. 3	0.022	2	Active
55-626147	SanTan No. 1	0.007	1	Pending
55-598836	San Tan No. 2			Pending

On March 29, 2005, Johnson Utilities submitted responses to Staff's fourth set of Data Requests. In the responses, Johnson Utilities listed the Johnson Ranch Well No. 7 as a construction water well, the San Tan Heights Well as a construction water well, the Johnson Ranch Well No. 3 as a Precision Golf Course Well and the Edwards Road No. 2 Well as on-line with a flow of 130 gallons per minute. An Approval to Construct for the San Tan Heights Well No. 2 dated March 24, 2005, was also submitted which indicated a maximum pumping capacity of 710 gpm. There is yet no authorization to operate the San Tan well due to high nitrates. In spite of the submittal, Staff did not see any changes to the well production or water usage that would change its position that the Company does not have an adequate water supply.

Staff had a meeting with Johnson Utilities on April 5, 2005. The meeting was held so that the Company could explain the discrepancies in its data. At the meeting, the Company submitted flow rates for the same wells that were higher than previously submitted which would have the effect of increasing the gallons of water available for customers. In spite of the meeting and another new submittal dated April 5, 2005, Staff did not see any changes to the well production or water usage that would change its conclusion that the Company lacks an adequate water supply.

It was also pointed out to the Company at a meeting on April 5, 2005, that many of the Arizona Department of Water Resources ("ADWR") well numbers used by the Company in its well listings were incorrect and it was difficult for Staff to determine exactly what the Company had submitted. It was also noted that ownership of at least one of the wells (Johnson Ranch No. 7) was listed in ADWR records as belonging to Johnson International, not Johnson Utilities.

This is significant because Johnson International is in litigation with the State Attorney General's Office.

Analysis of the Water System

Based on water use data supplied by the Company, Staff calculated that the average daily demand during the peak month was 417 gal/day-service, and estimated that the water demand on the annual peak day would be about 521 gallons/day-service. The Company reported 8,508 actual customers ending December 2004, and recent data shows a growth rate of about 6 percent per month. Using these numbers, the water production necessary to meet the annual peak day, is shown in Table 4. This is the absolute minimum needed and assumes that all wells run 24 hours per day and that no wells are out of service for pump replacement or repairs.

Since the approved wells only produce 2,870 gal/min, it can be seen that presently Johnson Utilities PWS No. 11-128 has insufficient capacity to meet its peak demand, which occurs during the summer.

**Johnson Utilities, PWS No. 11-128
Water Demand on Annual Peak day**

Table 4

Month	Customer Base (Estimated Beyond December)	Peak Day Demand (gal/min)	Average daily Demand During Peak Month (gal/min)
Dec 2004	8,508	3,078	2,462
Jan 2005	9,018	3,262	2,610
Feb 2005	9,560	3,459	2,767
Mar 2005	10,133	3,666	2,933
Apr 2005	10,741	3,886	3,109
May 2005	11,386	4,119	3,295
Jun 2005	12,069	4,367	3,494

For the issuance of Certificates of Convenience and Necessity, Staff seeks to answer the question:

"Can the utility now meet the service demands of its existing customer base and the demand of the proposed customer additions, or as an alternative, can it now meet the service demands of its existing customer base and can it be reasonably expected that the utility can develop the future required resources and has the performance history to warrant belief that it will develop the future required resources?"

As a result of Staff analysis, it would appear that Johnson Utilities has not developed water production resources to meet the pace of growth, which casts doubt on the ability of the utility to meet its needs for new service areas.

Finance of Utility Facilities

The Company indicated in the application that it will finance the required utility facilities needed to serve the proposed extension area through a combination of advances in aid of construction and hook-up fees in accordance with A.A.C. Advances in aid of construction are often in the form of Main Extension Agreements ("MXAs"). MXAs are standard industry practice. The minimal acceptable criteria for line extension agreements between water and wastewater utilities and private parties are established by A.A.C. R14-2-406 and 606. These agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the required facilities necessary to serve the development. Upon acceptance of the facilities by the Utility Company, the developer conveys the utility facilities through a warranty deed to the Utility Company. Utility Companies will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years. The Commission's rule on wastewater MXAs does not currently require a refund of the advance.

On page 4 of the Application, the Company states that "a copy of a fully executed main extension agreement for water facilities between the parties shall be filed with the Commission in support of this Application when completed." As of May 25, 2005, the Company has not filed a copy of the MXA as indicated in the Application.

Staff therefore recommends that the Company file with Docket Control, for Staff review and/or approval, a copy of the fully executed main extension agreements for wastewater and water facilities.

ACC Compliance

A check with the Utilities Division Compliance Section showed no outstanding compliance issues.

Arizona Department of Environmental Quality Compliance

The ADEQ regulates the water system under ADEQ Public Water System I.D. No. 11-128. ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

The wastewater treatment plant to serve Quail Run has not yet been constructed. Since this is a proposed utility which have yet to become operational, there is no historical compliance data for the wastewater segment.

Arizona Department of Water Resources Compliance

There are five (5) Active Management Areas ("AMAs") in Arizona and each has a different goal depending on the water supply need of the area. Johnson Utilities is located in the

Phoenix AMA, as designated by ADWR. The primary management goal of the Phoenix AMA is to attain "safe-yield" by 2005. Safe-yield is a long-term balance between the annual amount of groundwater withdrawn in the AMA and the annual amount of natural and artificial recharge. As a result, Johnson Utilities is subject to the reporting and conservation rules of ADWR. ADWR has indicated that the Company is in compliance with the Pinal AMA requirements.

Since Johnson Utilities is located within the Phoenix AMA, Quail Run's developer is required by ADWR to demonstrate an assured water supply that will be physically, legally, and continuously available for the next 100 years before the developer can record plats or sell parcels. The developer can prove a 100 year supply by satisfying the requirements to obtain a Certificate of Assured Water Supply or by a written commitment of service from a provider with a Designation of Assured Water Supply. Presently Johnson Utilities holds a Designation of Assured Water Supply for its existing service area. It is assumed that Johnson Utilities will continue to elect this alternative.

Therefore, Staff recommends that Johnson Utilities be required to update or amend its Designation of Assured Water Supply to include the service area in this CC&N application. Also, Staff recommends that Johnson Utilities file with Docket Control under this same docket number the amended Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute.

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g/l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g/l}$. The date for compliance with the new MCL is January 23, 2006.

Staff requested the arsenic concentration for each well but has not been provided a complete list at the time of the writing of this report. The Company did provide arsenic concentrations for most of the wells and stated that levels would be provided for the remainder of the wells as soon as they are available. All wells except one so far, showed compliance with the new arsenic standard of 10 $\mu\text{g/l}$. Well No. 55-582085, Oasis Well No. 1 has an arsenic concentration of 22 $\mu\text{g/l}$. The Company plans to abandon this well.

Staff recommends that Johnson Utilities be required to file well data with Docket Control showing arsenic concentrations for all existing and pending wells. Staff recommends that Johnson Utilities be required to file an arsenic plan with Docket Control if the water quality from any of its wells has an arsenic level of 10 parts per billion or more.

Curtailment Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events.

The Company does not have a curtailment tariff on file. This issue is being addressed under Docket No. WS-02987A-04-0288.

Offsite Facilities Hook-up Fee Tariff

A review of the 2004 Johnson Utilities Status Report on the Commission approved hook-up fees indicates that the Company collected \$6,597,450 in water hook-up fees and \$7,107,500 in wastewater hook-up fees. The Company spent \$1,180,410 of the water hook-up fee revenues collected to pay for an eight inch diameter Bella Vista water main which was extended out far beyond the existing service area into the area being requested in this application. In addition, \$415,000 was spent for a Heritage – Felix Road water line and \$36,085 for a Ricke Well No. 3, 8 inch diameter line. At this time, Staff does not consider this an appropriate use of the Hook-up Fee funds which are primarily to be used for backbone plant such as wells, storage tanks and pressure tanks needed for new developments. It seems that none of the funds were used for well production. In addition, the data response to Staff question JAC 3-8 indicates a cost for the Bella Vista line of \$348,044.28, not \$1,180,410.

Rate Case Filing

There are several discrepancies and/or issues that require further investigation that have risen during the processing of this case. These are:

1. The Company may have spent Offsite Facility Hook-up Fee funds on mains that may not qualify as backbone plant (e.g., Bella Vista Line).
2. The Company seems to have provided several different costs for the Bella Vista Line. The costs are significantly different which raises the question of why it is so difficult for the Company to provide this information and places doubt about the accuracy of the information provided.
3. The Company had great difficulty in providing commonly requested water production and water use data. This raises the question about how well the system is being operated and whether the Company really understands where it stands with its water supply.
4. It appears that several portions of the ADWR well information supplied to Staff show incorrect well registration numbers.

5. At least one of the wells listed as a Company well is registered as being owned by Johnson International and not Johnson Utilities in the ADWR data base.
6. The Company provided data to Staff that well JR No. 7 was used to provide water on the system to cover peak seasonal flows. The Company subsequently modified its position and told Staff that the well was only used for construction water.
7. The large amounts of Central Arizona Project ("CAP") water and construction water sold each year are difficult to track in the Company records.
8. The rates currently charged by the Company are its initial rates established in 1997. From 1999 to 2004, the Company grew from less than 175 water customers to over 8,500. The initial rates may no longer be appropriate for a company with such large growth.

In light of the above, Staff recommends that the Company be ordered to submit a full rate case filing by April 30, 2006, for both the water and wastewater divisions using a 2005 test year. As an alternative, it is recommended that the Commission order Staff to perform an audit of the Johnson Utilities' Hook-up Fee Account within three months of a Decision in this matter and come back to the Commission with any appropriate recommendations.

La Osa Ranch Litigation

Johnson Utilities majority shareholder is Mr. George Johnson. In addition to ownership of a public service company, Mr. Johnson also has ownership in real estate, live stock and agriculture.

On February 14, 2005, the Arizona Attorney General's office filed a civil lawsuit against various financial affiliates of Johnson Utilities alleging trespass, breach of grazing lease, destruction of native plants on state and private land, water quality discharge violations and unlawful killing of bighorn sheep.

The litigation is primarily focused on Mr. Johnson's actions as a property owner of La Osa Ranch, a 10,000 acre property in southern Pinal County, adjacent to state trust lands and the Ironwood National Forest Monument.

According to the complaint, Mr. Johnson failed to obtain permits to clear private property, trespassed and cleared state lands of natural vegetation and destroyed archaeological sites located in the Los Robles Wash floodplain.

The State also alleges that Mr. Johnson failed to abide by the terms of the U.S. Bureau of Land Management grazing lease by allowing domestic goats in close contact with Desert Big Horn Sheep, infecting the sheep, causing 21 to die from malnutrition, falls or failure to evade predators.

The Arizona Attorney General's office filed the civil lawsuit in Maricopa County Superior Court in conjunction with the Department of Environmental Quality, the Department of Agriculture, the Land Department, the Board of Regents, and the Game and Fish Commission. The lawsuit named Mr. Johnson, his spouse, the George H. Johnson Revocable Trust, Johnson International, Inc., the Ranch at South Fork, L.L.C., General Hunt Properties, Inc., Atlas Southwest, Inc. and other individuals.

Johnson Utilities was not named in the civil lawsuit. None of the allegations include actions taken as a public service company. However, a civil lawsuit against Johnson Utilities financial affiliates by the Attorney General and five state agencies requires the Commission be provided the information necessary to protect Johnson Utilities customers from any potential adverse ruling against its financial affiliates.

Therefore Staff recommends that Johnson Utilities be required to file Affiliate Interest reports as required under Arizona Administrative Code R14-2-801 et al. In addition to the above, Staff also recommends that Johnson Utilities be required to file quarterly reports on the status and events in the La Osa Ranch litigation in CV2005-002692.

Proposed Rates

Johnson Utilities is proposing to provide utility services to the extension area at its tariffed rates and charges.

Pinal County Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Johnson Utilities has a Pinal County franchise agreement which includes the proposed extension area.

Recommendations

If the Commission chooses to grant Johnson Utilities' application for an extension of its CC&N to provide wastewater and water services to Quail Run, Staff recommends the following:

1. That the Commission issue, pursuant to A.R.S. §40-282(D), an "Order Preliminary" to the issuance of the ultimate CC&N extension to Johnson Utilities.


2. That Johnson Utilities be required not to construct any water distribution mains or wastewater collection mains within the CC&N extension area defined by this docket, nor to provide any water or wastewater services within the CC&N extension area defined by this docket until and after the issuance of a subsequent "Final Order" of the Commission issuing the CC&N in this Docket.
3. That Johnson Utilities be required to demonstrate to the satisfaction of the Director of Utilities that the Company can meet the water production needs in PWS No. 11-128 for its current customer base at the time of the demonstration. Johnson Utilities shall also demonstrate to the satisfaction of the Director of Utilities that it can continue to develop water production resources to meet the system needs within a reasonable foreseeable future. Both of the above can be demonstrated by submitting a list of pending or future wells, their anticipated production capacity in gallons per minute, and a time schedule for ADEQ approval of construction and operation.
4. That Johnson Utilities be required to update or amend its Designation of Assured Water Supply to include the service area in this CC&N extension application. Johnson Utilities shall file with Docket Control under this same docket number the amended Designation of Assured Water Supply, stating that there is adequate water supply, where applicable or when required by statute.
5. That Johnson Utilities be required to docket its well data with Docket Control showing arsenic concentrations for all existing and pending wells.
6. That Johnson Utilities be required to docket an arsenic plan with Docket Control if the water quality from any of its wells has an arsenic level of 10 parts per billion or more.
7. That Johnson Utilities file with Docket Control, for Staff review and/or approval, a copy of the fully executed main extension agreements for wastewater and water facilities for Quail Run.
8. That Johnson Utilities file with Docket Control the Unified (Aquifer Protection) Water Quality Permits issued by the ADEQ for the Copper Basin Regional Wastewater Treatment Facility.
9. That Johnson Utilities be required to file with Docket Control copies of the ADEQ "Approvals to Construct" for the requested extension area for Quail Run.
10. That Johnson Utilities be required to comply with items 3, 4, 5, 6, 7, 8, and 9 above within 2 years of the effective date of the Order Preliminary. If Johnson Utilities complies with these items within the 2 year time-frame, it shall be required to file a motion within 2 years of the effective of the Order Preliminary to have the Commission issue its final CC&N decision. If Johnson Utilities fails to meet the 2 year time-frame, it shall be required to submit a new CC&N application if it still desires to serve Quail Run.

11. That Johnson Utilities be required to submit a full rate case filing for both the water and wastewater divisions using a 2005 test year no later than April 30, 2006. As an alternative, it is recommended that the Commission order Staff to perform an audit of the Johnson Utilities Hook-up Fee Account within three months of a Decision in this matter and come back to the Commission with appropriate recommendations.
12. That Johnson Utilities Company be required to file a quarterly report with the Compliance Section on the status of the pending litigation in CV2005-002692.
13. That Johnson Utilities be required to file Affiliate Interest reports as required under Arizona Administrative Code R14-2-801 et al.

MEMORANDUM

DATE: May 12, 2005

TO: Blessing Chukwu

FROM: John A. Chelus 
Utilities Engineer

RE: Johnson Utilities Company
CC&N Extension – Water & Wastewater
Docket No. WS-02987A-05-0088

Introduction

Johnson Utilities Company ("Johnson or Company") has applied to extend its Certificate of Convenience and Necessity (CC&N) for water and wastewater service in Pinal County. The requested service area includes a portion of section 24 of Township 3 South, Range 8 East. The area is located at the southeast corner of Bella Vista Road and Quail Run Road. This will add approximately 0.16 square miles or 100 acres to its existing certificated area for water and wastewater service. The area will cover a development known as Quail Run and will contain approximately 351 lots. The Company anticipates full build out within five years.

Wastewater

Quail Run will have an eight inch gravity sewer throughout the development which will be pumped by lift station and force main to the existing Sonoran Villages development lift station located at the northwest corner of Felix and Judd Road. This area is included within the Copper Basin regional wastewater service area and is consistent with the "CAAG §208 Water Quality Plan Amendment No. 4" for Johnson Utilities ("CAAG" is an acronym for the Central Arizona Association of Governments). The Copper Basin regional facility is a master planned wastewater treatment project which is matched to projected development and population densities. Treatment processes, phasing and capacities are delineated in the CAAG Plan No 4. The CAAG Plan essentially provides for the construction of a 0.5 Million Gallons per Day (MGD) treatment plant which will be expandable to 2.5 MGD. Effluent will be reused with any excess being disposed of through an Arizona surface water discharge permit, although it is anticipated that the irrigation needs of green belts and golf courses will be sufficient for the generated effluent. The wastewater treatment plant will be constructed approximately 2 miles east of the Quail Run development on Judd Road.

Staff concludes that the proposed wastewater system has or can reasonably be expected to develop the necessary sewage treatment capacity to serve the proposed CC&N extension area for Quail Run and is consistent with the approved "CAAG §208 Water Quality Plan" for Johnson Utilities.

Water

The development will be served by the Johnson Utilities public water system number 11-128. The design report assumed that the Johnson water system has adequate storage and pumping capacity to meet the needs of this development. Johnson has in existence seven well(s) with a total production capacity of 2,870 gal/min, 1,650,000 gallons of storage capacity, booster pumps, pressure tanks, and a distribution system serving approximately 8,500 connections. Based on historical growth rates, it is anticipated that the existing service area could have 22,000 total customers at the end of five years. The Company has predicted an additional 351 customers for the proposed CC&N extension, at the end of five years. The existing production and storage can adequately serve approximately 8,235 connections under peak conditions. This means that Johnson does not currently have enough capacity to adequately serve its existing customers under all conditions.

Staff requested well data, storage data and water usage data from Johnson for its existing system in a data request dated January 13, 2005. The first response from Johnson on January 21st, 2005, listed seven wells that Johnson indicated were supplying the Johnson Ranch system (Table 1). These correspond to the wells which the Arizona Department of Water Quality ("ADEQ") considers as approved for use. Based on this data, Staff determined that Johnson had insufficient well capacity to serve the Johnson Ranch system.

Original List of Active Johnson Utility Wells Connected to PWS ID No. 11-128

Table 1

Well Number	Well name	ADEQ Approval to Construct	ADEQ Approval of Construction	Pumping G.P.M.
55-599386	Circle Cross	Nov. 22, 2002	Oct. 22, 2004	890
55-558445	J.R. No. 4	Apr. 21, 1998	May 18, 1999	500
55-559843	J.R. No. 5	Apr. 21, 1998	Jan. 24, 2002	500
55-621462	Skyline	Dec. 4, 2002	Aug. 20, 2003	650
55-582085	Oasis No. 1	Aug. 07, 2002	Dec. 13, 2002	110
55-582087	Oasis No. 2	Aug. 07, 2002	Dec 13, 2002	110
55-582088	Oasis No. 3	Aug. 07, 2002	Dec. 13, 2002	110
Total				2,870 gpm

When Johnson was made aware of Staff's concerns, Johnson submitted a letter to Staff dated January 28, 2005. It included a "revised" Water Use Data Sheet for Johnson Utilities Company, System Number 11-128. The letter stated that "The revised "Water Use Data Sheet" now includes all the wells that are connected to the system." The revised well list added JR Well No. 3, JR Well No. 7, and Edwards Well No. 2 as active. (Table 2) The Company indicated that the additional wells were not reported originally because they were on standby due to decreased winter demand.

**Revised List of Active, Pending and Abandoned Johnson Utility Wells
 Connected to PWS ID No. 11-128 – Table 2**

Well Number	Well Name	ADEQ Approval to Construct	ADEQ Approval of Construction	GPM	Status
55-599386	Circle Cross	Nov. 22, 2002	Oct. 22, 2004	890	Active
55-558445	J.R. No. 4	Apr. 21, 1998	May 18, 1999	500	Active
55-559843	J.R. No. 5	Apr. 21, 1998	Jan. 24, 2002	500	Active
55-621462	Skyline	Dec. 4, 2002	Aug. 20, 2003	650	Active
55-582085	Oasis No. 1	Aug. 07, 2002	Dec. 13, 2002	110	Active
55-582087	Oasis No. 2	Aug. 07, 2002	Dec 13, 2002	110	Active
55-582088	Oasis No. 3	Aug. 07, 2002	Dec. 13, 2002	110	Active
55-625916	Circle Cross	n/a			Abandon
55-625918	Circle Cross	n/a			Abandon
55-586189	Edwards Rd. #2	Sep. 20, 2001	Jul 23, 2002	35	Active
55-627105	J.R. No. 3			500	Active
55-562385	J.R. No. 7			900	Active
55-615284	J.R. No. 2			360	Not Conn.
55-201429	Morning Star			800	Pending
55-626147	San Tan No. 1			500	Pending
55-598836	San Tan No. 2			800	Pending
Total			Active	3,805	gpm

During an inspection of the Johnson Ranch system on February 2, 2005, Staff was shown all of the wells listed as active by Johnson in the revised January 28, 2005 Water Use Data Sheet. Staff was told during the inspection that the Edwards Well No. 2 was in fact disconnected.

As part of the evaluation of this application, Staff held a meeting with ADEQ about a pending ADEQ inspection report. It was determined from these conversations that the wells inspected on January 14, 2005 by ADEQ corresponded exactly with the original seven wells in Table I. In addition, ADEQ personnel could not locate an "Approval of Construction" (which is essentially an authorization to operate the well) for Johnson Ranch Wells No. 3 and No. 7, and could not locate an "Approval to Construct" for Johnson Ranch Well No. 7. It was then concluded that none of the additional wells listed by Johnson as active in its revised responses were approved by ADEQ for use on system PWS 11-128.

On February 23, 2005, Johnson filed a response to Staff's Second Data Request. This included a table of current wells in service along with the arsenic concentrations. (Table 3) This table included the Johnson Ranch Well No. 7, Johnson Ranch Well No. 3 and Edwards Road Well No. 2, all of which were listed as entering Point of Entry (POE) Number one.

Johnson Utilities Well Inventory for System 11-128 as of February 2005
Table 3

Well Number	Well Name	Arsenic Levels Mg/l	POE	Status
55-625916	Circle Cross			Abandon
55-625918	Circle Cross			Abandon
55-599386	Circle Cross	0.002	4	Active
55-621462	Skyline	0.003	3	Active
55-586189	Edwards Rd. #2	0.002	1	Active
55-627105	J.R. No. 3	n/a	1	Active
55-558445	J.R. No. 4	0.003	1	Active
55-559843	J.R. No. 5	0.005	1	Active
55-562385	J.R. No. 7	n/a	1	Active
55-615284	J.R. No. 2	n/a	n/a	Not Conn.
55-201429	Morning Star Farms			Pending
55-582085	Oasis No. 1	n/a	2	Active
55-582087	Oasis No. 2	0.003	2	Active
55-582088	Oasis No. 3	0.022	2	Active
55-626147	SanTan No. 1	0.007	1	Pending
55-598836	San Tan No. 2			Pending

On March 29, 2005, Johnson submitted responses to Staff's fourth set of data requests. In the responses, Johnson listed the Johnson Ranch Well No. 7 as a construction water well, the San Tan Heights Well as a construction water well, the Johnson Ranch Well No. 3 as a Precision Golf Course Well and the Edwards Road No. 2 Well as on-line with a flow of 130 gallons per minute. An Approval to Construct for the San Tan Heights Well No. 2 dated March 24, 2005 was also submitted which indicated a maximum pumping capacity of 710 gpm. There is yet no authorization to operate the San Tan well due to high nitrates. In spite of the submittal, Staff did not see any changes to the well production or water usage that changed its position that the Company does not have an adequate water supply.

Staff had a meeting with Johnson Utilities on April 5, 2005. The meeting was held so that the Company could explain the discrepancies in its data. At the meeting, the Company submitted flow rates for the same wells that were higher than previously submitted which would have the effect of increasing the gallons of water available for customers. In spite of the meeting and another new submittal dated April 5, 2005, Staff did not see any changes to the well production

or water usage that changed its conclusion that the Company lacks an adequate water supply.

It was also pointed out to the Company at a meeting on April 5, 2005, that many of the ADWR well numbers used by the Company in its well listings were incorrect and it was difficult for Staff to determine exactly what the Company had submitted. It was also noted that ownership of at least one of the wells (Johnson Ranch No. 7) was listed in ADWR records as belonging to Johnson International, not Johnson Utilities. This is significant because Johnson International is in litigation with the State Attorney General's Office.

Analysis

Based on water use data supplied by the Company, Staff calculated that the average daily demand during the peak month was 417 gal/day-service, and estimated that the water demand on the annual peak day would be about 521 gallons/day-service. The Company reported 8,508 actual customers ending December 2004, and recent data shows a growth rate of about 6% per month. Using these numbers, the water production necessary to meet the annual peak day, is shown in Table 4. This is the absolute minimum needed and assumes that all wells run 24 hours per day and that no wells are out of service for pump replacement or repairs.

Since the approved wells only produce 2,870 gal/min, it can be seen that presently Johnson Utilities PWS No. 11-128 has insufficient capacity to meet its peak demand, which occurs during the summer.

Johnson Utilities, PWS No. 11-128
Water Demand on Annual Peak day
Table 4

Month	Customer Base (Estimated Beyond December)	Peak Day Demand (gal/min)	Average daily Demand During Peak Month (gal/min)
Dec 2004	8,508	3,078	2,462
Jan 2005	9,018	3,262	2,610
Feb 2005	9,560	3,459	2,767
Mar 2005	10,133	3,666	2,933
Apr 2005	10,741	3,886	3,109
May 2005	11,386	4,119	3,295
Jun 2005	12,069	4,367	3,494

For the issuance of Certificates of Convenience and Necessity, Staff seeks to answer the question:

“Can the utility now meet the service demands of its existing customer base and the demand of the proposed customer additions, or as an alternative, can it now meet the service demands of its existing customer base and can it be reasonably expected that the utility can develop the future required resources and has the performance history to warrant belief that it will develop the future required resources?”

As a result of Staff analysis, it would appear that Johnson Utilities has not developed water production resources to meet the pace of growth, which casts doubt on the ability of the utility to meet its needs for new service areas.

Cost Analysis

Johnson submitted no cost analysis. The developments will be funded through main extension agreements and offsite facility hookup fees.

ACC Compliance

A check with the Utilities Division Compliance Section showed no outstanding compliance issues.

Arizona Department of Environmental Quality (ADEQ) Compliance

ADEQ regulates the water system under ADEQ Public Water System I.D. No. 11-128. ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

The wastewater treatment plant to serve Quail Run has not yet been constructed. Since this is a proposed utility which have yet to become operational, there is no historical compliance data for the wastewater segment.

Arizona Department of Water Resources (ADWR) Compliance

Johnson is within the Phoenix Active Management Area. As such, each developer will be required to demonstrate a “Designation of Assured water Supply” from ADWR for the entire development. Presently Johnson Utilities holds a “Designation of Assured Water Supply” for its existing service area. It is assumed that Johnson will continue to elect this alternative. Therefore, it is recommended that Johnson Utilities shall update or amend its “Designation of Assured Water Supply” to include the service areas in this CC&N application. Johnson Utilities shall file such an amended ADWR certificate with the Commission’s Docket Control under this same docket number.

Arsenic

Staff requested the arsenic concentration for each well but has not been provided a complete list at the time of the writing of this report. The Company did provide arsenic concentrations for most of the wells and stated that levels would be provided for the remainder of the wells as soon as they are available. All wells except one so far, showed compliance with the new arsenic standard of 10 µg/l. Well No. 55-582085, Oasis Well No. 1 has an arsenic concentration of 22 µg/l. The Company plans to abandon this well.

Staff recommends that Johnson be required to file well data with Docket Control showing arsenic concentrations for all existing and pending wells. Staff further recommends that Johnson be required to file an arsenic plan with Docket Control if the water quality of its wells has an arsenic level of 10 parts per billion or more.

Curtailment Tariff

The Company does not have a curtailment tariff on file. This issue is being addressed under Docket No. WS-02987A-04-0288.

Offsite Facilities Hookup Fee Tariff

A review of the 2004 Johnson status report on the Commission approved Hookup Fees indicates that the Company collected \$6,597,450 in water Hookup Fees and \$7,107,500 in wastewater hookup fees. The Company spent \$1,180,410 of the water hookup fee revenues collected to pay for an eight inch diameter Bella Vista water main which was extended out far beyond the existing service area into the area being requested in this application. In addition, \$415,000 was spent for a Heritage -Felix Road water line and \$36,085 for a Ricke Well No. 3, 8 inch diameter line. At this time, Staff does not consider this an appropriate use of the Hookup Fee funds which are primarily to be used for backbone plant such as wells, storage tanks and pressure tanks needed for new developments. It seems that none of the funds were used for well production. In addition, the data response to Staff question JAC 3-8 indicates a cost for the Bella Vista line of \$348,044.28, not \$1,180,410.

Recommendation to Order a Rate Case filing.

There are several discrepancies and/or issues that require further investigation that have risen during the processing of this case. These are:

1. The Company may have spent Offsite Facility Hook-up Fee funds on mains that may not qualify as backbone plant (e.g., Bella Vista Line)
2. The Company seems to have provided several different costs for the Bella Vista Line. The costs are significantly different which raises the question

of why it is so difficult for the Company to provide this information and places doubt about the accuracy of the information provided.

3. The Company had great difficulty in providing commonly requested water production and water use data. This raises the question about how well the system is being operated and whether the Company really understands where it stands with its water supply.
4. It appears that several portions of the ADWR well information supplied to Staff show incorrect well registration numbers.
5. At least one of the wells listed as a Company well is registered as being owned by Johnson International and not Johnson Utilities in the ADWR data base?
6. The Company provided data to Staff that well JR No. 7 was used to provide water on the system to cover peak seasonal flows. The Company subsequently modified its position and told Staff that the well was only used for construction water?
7. The large amounts of CAP water and construction water sold each year are difficult to track in the Company records.
8. The rates currently charged by the Company are its initial rates established in 1997. From 1999 to 2004 the Company grew from less than 175 water customers to over 8,500. The initial rates may no longer be appropriate for a company with such large growth.

In light of the above, Staff recommends that the Company be ordered to submit a full rate case filing by April 30, 2006 for both the water and wastewater divisions using a 2005 test year. As an alternative, it is recommended that the Commission order Staff to perform an audit of the Johnson Utilities Hookup Fee Account within three months of a Decision in this matter and come back to the Commission with any appropriate recommendations.

Summary

Comments

1. Staff concludes that the existing Johnson water system does not have adequate production and storage capacity to serve the existing and proposed CC&N area.
2. ADEQ has determined that the water system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

The wastewater treatment plant to serve Quail Run has not yet been constructed. Since this is a proposed utility which has yet to become operational, there is no historical compliance data for the wastewater segment.

3. A check with the Utilities Division Compliance Section showed no outstanding compliance issues.

Recommendations

1. If the Commission chooses to grant this area to Johnson, Staff recommends that the Commission issue, pursuant to A.R.S. §40-282(D), an "Order Preliminary" to the issuance of the ultimate CC&N to Johnson Utilities.
2. Staff further recommends that Johnson Utilities shall not construct any water distribution mains or wastewater collection mains within the CC&N extension area defined by this docket, nor shall Johnson Utilities provide any water or wastewater services within the CC&N extension area defined by this docket until and after the issuance of a subsequent "Final Order" of the Commission in this Docket.
3. Staff further recommends that Johnson Utilities be required to demonstrate to the satisfaction of the Director of Utilities that the Company can meet the water production needs in PWS No. 11-128 for its current customer base at the time of the demonstration. Johnson Utilities shall also demonstrate to the satisfaction of the Director of Utilities that it can continue to develop water production resources to meet the system needs within a reasonable foreseeable future. Both of the above can be demonstrated by submitting a list of pending or future wells, their anticipated production capacity in gal/min, and a time schedule for ADEQ approval of construction and operation.
4. Staff further recommends that Johnson Utilities shall update or amend its "Designation of Assured Water Supply" to include the service areas in this CC&N application. Johnson Utilities shall file such an amended ADWR certificate with the Commission's Docket Control under this same docket number.
5. Staff recommends that Johnson be required to file well data with Docket Control showing arsenic concentrations for all existing and pending wells. Staff further recommends that Johnson be required to file an arsenic plan with Docket Control if the water quality of its wells has an arsenic level of 10 parts per billion or more.
6. It is recommended Johnson Utilities file with Docket Control the Unified (Aquifer Protection) Water Quality Permits issued by the Arizona Department of Environmental Quality for the Copper Basin Regional Wastewater Treatment Facility.
7. It is recommended that Johnson Utilities shall submit copies of the ADEQ "Approvals to Construct" for the requested extension area for Quail Run.

8. Staff further recommends that the Company be ordered to submit a full rate case filing for both the water and wastewater divisions using a 2005 test year no later than April 30, 2006. As an alternative, it is recommended that the Commission order Staff to perform an audit of the Johnson Utilities Hookup Fee Account within three months of a Decision in this matter and come back to the Commission with appropriate recommendations.

MEMORANDUM

TO: Jim Fisher
Executive Consultant II
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: February 16, 2005

RE: **JOHNSON UTILITIES COMPANY (DOCKET NO. WS-02987A-05-0000)**

The area requested by Johnson for an extension for water service has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

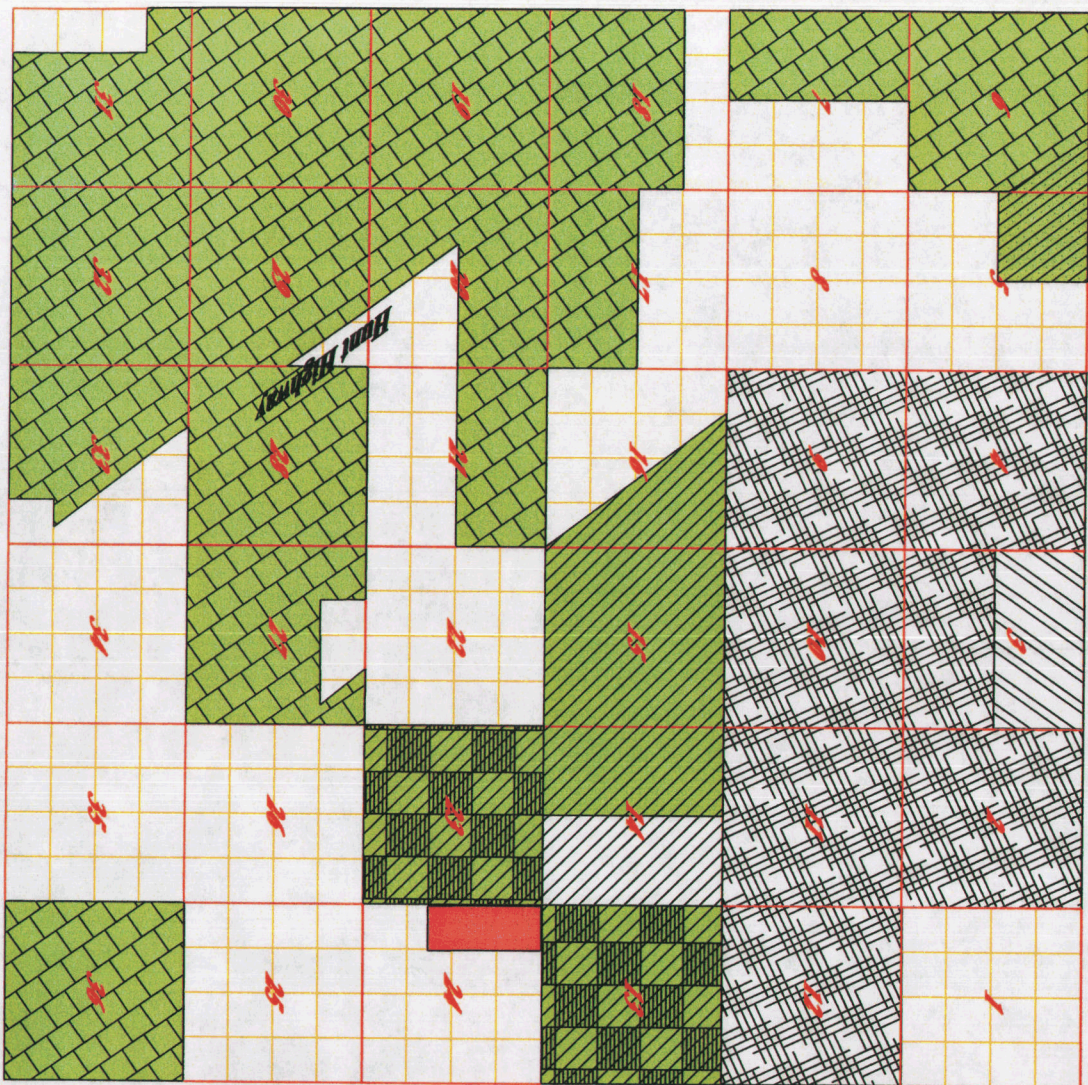
:bsw

Attachments








cc: Docket Control
Mr. Jay Shapiro
Ms. Deb Person (Hand Carried)
File

COUNTY: Pinal

RANGE 8 East



TOWNSHIP 3 South

-  W-2859 (3)
Diversified Water Utilities, Inc.
-  W-2234 (2)
H₂O, Inc.
-  WS-2987 (6)
Johnson Utilities Company
-  W-2425 (2)
Sun Valley Farms Unit VI Water Company
-  Diversified Water Utilities, Inc.
Docket No. W-2859-04-844
Application for Extension
Competing Application with Johnson for Sections 13 & 23
-  Johnson Utilities Company (Water)
Docket No. WS-2987-04-869
Application for Extension
Competing Application with Diversified for Sections 13 & 23
-  Johnson Utilities Company (Water)
Docket No. WS-2987-05-088
Application for Extension

Sewer

EXHIBIT "A"

A PARCEL OF LAND BEING SITUATE IN THE WEST HALF OF THE WEST HALF OF SECTION 24, TOWNSHIP 3 SOUTH, RANGE 8 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, HAVING A BOUNDARY MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING FOR A TIE AT THE ARIZONA HIGHWAY DEPARTMENT BRASS CAP MARKING THE NORTHWEST CORNER OF SAID SECTION 24, FROM WHICH THE ARIZONA HIGHWAY DEPARTMENT BRASS CAP MARKING THE WEST QUARTER SECTION CORNER OF SAID SECTION 24 BEARS SOUTH 0 DEGREES 18 MINUTES 56 SECONDS EAST, 2652.01 FEET DISTANT;

THENCE NORTH 89 DEGREES 58 MINUTES 50 SECONDS EAST, 1351.43 FEET TO THE WEST 1/16 CORNER OF SAID SECTION 24;

THENCE SOUTH 0 DEGREES 16 MINUTES 45 SECONDS EAST, 40.00 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING SOUTH 0 DEGREES 16 MINUTES 45 SECONDS EAST, 2611.66 FEET TO A POINT ON THE EAST-WEST MID-SECTION LINE OF SECTION 24;

THENCE SOUTH 0 DEGREES 26 MINUTES 44 SECONDS EAST, 713.09 FEET TO THE SOUTHEAST CORNER OF SUBJECT PARCEL;

THENCE SOUTH 89 DEGREES 57 MINUTES 58 SECONDS WEST, 1307.23 FEET TO THE SOUTHWEST CORNER OF SUBJECT PARCEL, SAID POINT BEING ON THE EASTERLY RIGHT-OF-WAY LINE OF QUAIL RUN ROAD;

THENCE NORTH 0 DEGREES 38 MINUTES 54 SECONDS WEST, 713.11 FEET TO A POINT ON THE EAST-WEST MID-SECTION LINE, SECTION 24 AND FROM WHICH POINT THE WEST QUARTER SECTION CORNER OF SECTION 24 BEARS SOUTH 89 DEGREES 57 MINUTES 58 SECONDS WEST, 40.00 FEET;

THENCE NORTH 0 DEGREES 18 MINUTES 56 SECONDS WEST, ALONG THE EASTERLY RIGHT-OF-WAY LINE OF QUAIL RUN ROAD 2612.00 FEET;

THENCE NORTH 89 DEGREES 58 MINUTES 50 SECONDS EAST, 1311.40 FEET TO THE TRUE POINT OF BEGINNING.